

CITY OF CORWITH  
INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2020

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4-5
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A      7
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B      8
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C      9
Notes to Financial Statements	10-20
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual (Cash Basis)-All Governmental Funds and Proprietary Funds	22
Notes to Other Information-Budgetary Reporting	23
Schedule of the City's Proportionate Share of the Net Pension Liability	24
Schedule of City Contributions	25
Notes to Other Information-Pension Liability	26
Supplementary Information:	<u>Schedule</u>
Schedule of Indebtedness	1      28
Bond and Note Maturities	2      29
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	3      30
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	31-32
Schedule of Findings	33-35

## CITY OF CORWITH

### OFFICIALS

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matt Hobscheidt	Mayor	Jan 2020
Mike Petersen	Mayor Pro-tem	Jan 2020
Sharon Hankins	Council Member	Jan 2020
Tim Poage	Council Member	Jan 2022
Drew Duff	Council Member	Jan 2020
Brent DeGroote	Council Member	Jan 2020
Kristy Brunsvold	City Clerk	July 2019
David L. Fenchel	Attorney	July 2019

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matt Hobscheidt	Mayor	Jan 2022
Tim Poage	Mayor Pro-tem	Jan 2022
Sharon Hankins	Council Member	Jan 2024
Brett Fish	Council Member	Jan 2024
Cathy Lloyd	Council Member	Jan 2024
Matt Tindall	Council Member	Jan 2024
Kristy Brunsvold	City Clerk	July 2020
David L. Fenchel	Attorney	July 2020



# Renner & Birchem, PC

Certified Public Accountants

*"Where people who care make the difference"*

DENNIS L. RENNER, CPA  
MICHAEL J. BIRCHEM, CPA, CFP®

109 SECOND STREET N.E. • MASON CITY, IOWA 50401  
4 MAIN AVENUE SOUTH • BRITT, IOWA 50423  
226 WEST 4TH STREET • ST. ANSGAR, IOWA 50472

(641) 423-7155  
(641) 843-3729  
(641) 736-4324  
(866) 259-3667

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Corwith, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Corwith as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.



### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Corwith's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2019, (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 22 through 26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 4, 2020 on our consideration of City of Corwith's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Corwith's internal control over financial reporting and compliance.

December 4, 2020



Renner & Bircham, P.C.

Britt, Iowa

## BASIC FINANCIAL STATEMENTS

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue							Total
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Local Option	Emergency	Debt Service	
Receipts:								
Property tax	\$ 66,211		8,591			1,304		76,106
Tax increment financing				94,601				94,601
Other city tax	668		90		39,376	14		40,148
Licenses and permits	1,537							1,537
Use of money and property	7,298						5,000	12,298
Intergovernmental	41,421	23,306	383	8,224		58		73,392
Miscellaneous	26,426							26,426
Total receipts	143,561	23,306	9,064	102,825	39,376	1,376	5,000	324,508
Disbursements:								
Operating:								
Public safety	56,618		1,906					58,524
Public works	17,927	9,045	2,929					29,901
Culture and recreation	51,559		2,211					53,770
Community & economic development	5,893			19,023				24,916
General government	76,216		2,981					79,197
Debt service							4,563	4,563
Total disbursements	208,213	9,045	10,027	19,023			4,563	250,871
Excess (deficiency) of receipts over (under) disbursements	(64,652)	14,261	(963)	83,802	39,376	1,376	437	73,637
Other financing sources (uses):								
Transfer in	61,339						191,841	253,180
Transfer out				(187,277)	(39,376)	(1,339)		(227,992)
Total other financing sources (uses)	61,339			(187,277)	(39,376)	(1,339)	191,841	25,188
Change in cash balances	(3,313)	14,261	(963)	(103,475)		37	192,278	98,825
Cash balances beginning of year	14,247	146	6,840	103,475		1,147	1,000	126,855
Cash balances end of year	\$ 10,934	14,407	5,877			1,184	193,278	225,680
Cash Basis Fund Balances								
Restricted for:								
Debt service							193,278	193,278
Streets		14,407						14,407
Employee benefits			5,877					5,877
Unassigned	\$ 10,934					1,184		12,118
Total cash basis fund balances	\$ 10,934	14,407	5,877			1,184	193,278	225,680

See notes to financial statements.



## City of Corwith

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2020

	Proprietary Funds			
	Water	Sewer Rental	Electric	Total
Operating receipts:				
Charges for service	\$ 39,020	32,503	467,462	538,985
Total operating receipts	39,020	32,503	467,462	538,985
Operating disbursements:				
Business type activities	88,237	55,398	396,419	540,054
Total operating disbursements	88,237	55,398	396,419	540,054
Excess (deficiency) of operating receipts over (under) operating disbursements	(49,217)	(22,895)	71,043	(1,069)
Non-operating receipts (disbursements):				
Interest on investments	531	308	743	1,582
Miscellaneous			450	450
Net non-operating receipts (disbursements)	531	308	1,193	2,032
Excess (deficiency) of receipts over (under) disbursements	(48,686)	(22,587)	72,236	963
Transfers:				
Transfer in	27,950	23,626		51,576
Transfer out			(76,764)	(76,764)
Net transfers	27,950	23,626	(76,764)	(25,188)
Change in cash balances	(20,736)	1,039	(4,528)	(24,225)
Cash balance beginning of year	78,265	103,894	457,695	639,854
Cash balances end of year	\$ 57,529	104,933	453,167	615,629
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 57,529	104,933	453,167	615,629
Total cash basis fund balances	\$ 57,529	104,933	453,167	615,629

See notes to financial statements.

## City of Corwith

### Notes to Financial Statements

June 30, 2020

#### **(1) Summary of Significant Accounting Policies**

The City of Corwith is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1886 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and electric utilities for its citizens.

##### **A. Reporting Entity**

For financial reporting purposes, City of Corwith has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

##### **Jointly Governed Organizations**

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hancock County Assessor's Conference Board, Hancock County Development Commission and Hancock County Disaster/911 Service Board.

##### **B. Basis of Presentation**

**Government-wide Financial Statement** – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:



# City of Corwith

## Notes to Financial Statements

June 30, 2020

*Nonexpendable restricted net position* is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has elected to report all governmental funds as major funds.

The City has elected to report all funds as major governmental funds and major proprietary funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

### Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property tax collected and payment of employee benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Emergency Fund is used to account for the emergency levy.

City of Corwith

Notes to Financial Statements

June 30, 2020

The Local Option Fund is used to account for local option tax, receipts and disbursements.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric utility system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.



City of Cowith

Notes to Financial Statements

June 30, 2020

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and community and economic development functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments during the year ended June 30, 2020.

Interest Rate Risk

The City's investment policy limits the investment of operating funds (fund expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

City of Corwith

Notes to Financial Statements

June 30, 2020

**(3) Bonds and Notes Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Urban Renewal Tax Increment					
Financing Revenue Bonds	\$ 205,209		13,394	191,815	13,894
Governmental activities total	<u>\$ 205,209</u>		<u>13,394</u>	<u>191,815</u>	<u>13,894</u>
Business type activities:					
Electric Revenue Notes	\$ 4,519		4,519		
Business-type activities total	<u>\$ 4,519</u>		<u>4,519</u>		

Urban Renewal Tax Increment Financing Revenue Bonds

The City's June 30, 2020 urban renewal tax increment financing revenue bonds payable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2021	2.75%	\$ 13,894	5,127	19,021
2022	2.75	14,281	4,740	19,021
2023	2.75	14,679	4,342	19,021
2024	2.75	15,077	3,944	19,021
2025	2.75	15,508	3,513	19,021
2026-2030	2.75	84,254	10,851	95,105
2031-2032	2.75	34,122	992	35,114
		<u>\$191,815</u>	<u>33,509</u>	<u>225,324</u>

The City issued \$233,541 of urban renewal tax increment financing (TIF) revenue bonds in May, 2017 for the purpose of defraying the costs of a new fire station. The bonds are payable solely from the TIF receipts generated by increased property values in the City's urban renewal district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bond shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limit of the City. Total Principal and interest remaining on the bonds is \$225,324, payable thru June 2032. For the current year, principal, interest paid and total TIF receipts were \$13,394, \$5,627, and \$94,601, respectively.



City of Corwith

Notes to Financial Statements

June 30, 2020

**(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

# City of Corwith

## Notes to Financial Statements

June 30, 2020

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$9,577.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City liability for its proportionate share of the collective net pension liability totaled \$64,393. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0011120%, which was a decrease of 0.000019% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$11,845, \$10,120, and \$12,616 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:



# City of Corwith

## Notes to Financial Statements

June 30, 2020

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 %compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Corwith

Notes to Financial Statements

June 30, 2020

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 114,341	64,393	22,497

IPERS Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug, dental and vision benefits for employees. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$5,754 and plan members eligible for benefits contributed \$2,395 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by City of Corwith and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Active employees                      2

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and comp time hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. Comp time hours are accumulated for subsequent use but are not paid upon termination or retirements. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:



City of Corwith  
Notes to Financial Statements  
June 30, 2020

<u>Type of Benefit</u>	<u>Amount June 30, 2020</u>
Vacation	\$ <u>2,827</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

**(7) Interfund Transfer**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Electric	\$ 60,000
	Emergency	1,339
		<u>61,339</u>
Debt Service	Electric	4,564
	Urban Renewal Tax Increment	187,277
		<u>191,841</u>
Water	Local Option	15,750
	Electric	12,200
		<u>27,950</u>
Sewer	Local Option	<u>23,626</u>
		<u>\$ 304,756</u>

**(8) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City of Corwith  
Notes to Financial Statements  
June 30, 2020

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$0 of property tax under the urban renewal and economic development projects.

**(10) Subsequent Events**

The City is in the preliminary phase of improvements to the waste water treatment plant with contracts to be let in fall of 2020.

General obligation loan agreement for street improvements in the amount of \$119,000 was issued in September 2020.



## OTHER INFORMATION

City of Corwith

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds	Proprietary Funds		Budgeted Amounts		Final to Total
	Actual	Actual	Total	Original	Final	Variance
Receipts:						
Property tax	\$ 76,106		76,106	77,446	77,446	(1,340)
Tax increment financing	94,601		94,601	95,227	95,227	(626)
Other city tax	40,148		40,148	28,970	28,970	11,178
Licenses and permits	1,537		1,537	1,265	1,265	272
Use of money and property	12,298	1,582	13,880	13,545	13,545	335
Intergovernmental	73,392		73,392	255,530	255,530	(182,138)
Charges for services		538,985	538,985	500,945	500,945	38,040
Miscellaneous	26,426	450	26,876	17,400	31,822	(4,946)
Total receipts	324,508	541,017	865,525	990,328	1,004,750	(139,225)
Disbursements:						
Public safety	58,524		58,524	34,619	56,119	(2,405)
Public works	29,901		29,901	34,500	34,500	4,599
Culture and recreation	53,770		53,770	52,111	52,111	(1,659)
Community and economic development	24,916		24,916	22,521	22,521	(2,395)
General government	79,197		79,197	71,180	80,680	1,483
Debt service	4,563		4,563	18,212	208,659	204,096
Business type activities		540,054	540,054	759,060	797,360	257,306
Total disbursements	250,871	540,054	790,925	992,203	1,251,950	461,025
Excess (deficiency) of receipts over (under) disbursements	73,637	963	74,600	(1,875)	(247,200)	321,800
Other financing sources, net	25,188	(25,188)		4,562	4,562	(4,562)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	98,825	(24,225)	74,600	2,687	(242,638)	317,238
Balances beginning of year	126,855	639,854	766,709	670,599	670,599	96,110
Balances end of year	\$ 225,680	615,629	841,309	673,286	427,961	413,348

See accompanying independent auditor's report.

City of Corwith

Notes to Other Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$259,747. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and community and economic development functions.

City of Corwith  
Schedule of the City's Proportionate Share of Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Five Years\*

Other Information

	2020	2019	2018	2017	2016
City's proportion of the net pension liability	0.0011120%	0.0011313%	0.0010618%	0.0012801%	0.0012390%
City's proportionate share of the net pension liability	\$ 64,393	71,589	70,727	80,563	61,211
City's covered payroll	\$ 84,629	85,025	79,256	91,867	84,880
City's proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.20%	89.24%	87.69%	72.13%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.



City of Corwith  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Years

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 9,577	7,989	7,593	7,078	8,204	7,580	7,316	7,247	5,848	4,947
Contributions in relation to the statutorily required contribution	(9,577)	(7,989)	(7,593)	(7,078)	(8,204)	(7,580)	(7,316)	(7,247)	(5,848)	(4,947)
Contribution deficiency (excess)	\$									
City's covered payroll	\$ 101,454	84,629	85,025	79,256	91,867	84,880	81,932	83,588	72,462	71,178
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See accompanying independent auditor's report.

City of Corwith

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

## SUPPLEMENTARY INFORMATION



## City of Corwith

## Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Tax increment financing:								
Fire Station	5/17/2017	2.75%	\$ 233,541	\$ 205,209		13,394	191,815	5,627
Revenue Bonds/notes:								
Post office lease participation note	9/30/2004	5.00%	150,000	\$ 4,519		4,519		44

See accompanying independent auditor's report.

## City of Corwith

## Bond and Note Maturities

June 30, 2020

Year Ending June 30,	<u>URBAN RENEWAL TAX INCREMENT FINANCING</u>	
	<u>Issued September 1, 2016</u>	
	Interest Rates	Amount
2021	2.75%	\$ 13,894
2022	2.75	14,281
2023	2.75	14,679
2024	2.75	15,077
2025	2.75	15,508
2026	2.75	15,939
2027	2.75	16,383
2028	2.75	16,834
2029	2.75	17,308
2030	2.75	17,790
2031	2.75	18,286
2032	2.75	15,836
<b>Total</b>		<b><u>\$ 191,815</u></b>

See accompanying independent auditor's report.

## CITY OF CORWITH

Schedule of Receipts By Source and Disbursements by Function  
All Governmental Funds

For the Last Five Years

	2020	2019	2018	2017	2016
Receipts:					
Property tax	\$ 76,106	77,222	72,741	71,553	73,171
Tax increment financing	94,601	94,474	90,028	87,691	104,361
Other city tax	40,148	33,363	27,061	24,466	21,456
Licenses and permits	1,537	1,418	1,280	1,743	1,542
Use of money and property	12,298	16,635	16,933	18,154	16,765
Intergovernmental	73,392	83,312	72,003	195,321	72,983
Charges for service					64
Miscellaneous	26,426	108,352	19,837	135,807	22,015
Total	\$ 324,508	414,776	299,883	534,735	312,357
Disbursements:					
Operating:					
Public safety	\$ 58,524	42,196	10,783	108,347	28,589
Public works	29,901	53,555	49,415	44,299	19,668
Culture and recreation	53,770	57,323	38,766	45,173	54,826
Community and economic development	24,916	63,016	86,396	38,746	91,200
General government	79,197	129,325	65,287	59,670	55,735
Debt service	4,563	54,163	38,153	30,553	29,647
Capital projects				451,048	62,322
Total	\$ 250,871	399,578	288,800	777,836	341,987

See accompanying independent auditor's report.





**Renner &  
Birchem, PC**

**Certified Public Accountants**

*"Where people who care make the difference"*

DENNIS L. RENNER, CPA  
MICHAEL J. BIRCHEM, CPA, CFP®

109 SECOND STREET N.E. • MASON CITY, IOWA 50401  
4 MAIN AVENUE SOUTH • BRITT, IOWA 50423  
226 WEST 4TH STREET • ST. ANSGAR, IOWA 50472

(641) 423-7155  
(641) 843-3729  
(641) 736-4324  
(866) 259-3667

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Corwith, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 4, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Corwith's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Corwith's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Corwith's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Corwith's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Corwith's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## City of Corwith's Responses to Findings

City of Corwith's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Corwith's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Corwith during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 4, 2020



Renner & Birchem, P.C.  
Britt, Iowa



City of Corwith  
Schedule of Findings  
Year Ended June 30, 2020

**Part I: Findings Related to the Financial Statements:**

**Internal Control Deficiencies:**

**I-A-20 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have reviewed procedures and will look at improvements.

Conclusion - Response accepted.

**Instances of Non – Compliance:**

No matters were noted.



City of Corwith  
Schedule of Findings  
Year Ended June 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting:**

II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020, exceeded the amounts budgeted in the public safety, culture and recreation, and community and economic development functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.” This appears to be due to employee oversight.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-20 Questionable Disbursements – No disbursements that do not meet the requirements of public purpose as defined in Attorney General’s opinion dated April 25, 1979 were noted.

II-C-20 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Sharon Hankins, City Council Member, Spouse Owns Hankins Trucking	Repairs	\$112

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Council member do not appear to represent conflicts of interest since total transactions were less than \$6,000 during the year.

II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Corwith  
Schedule of Findings  
Year Ended June 30, 2020

**Part II: Other Findings Related to Required Statutory Reporting: (continued)**

- II-G-20 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.
- II-H-20 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-I-20 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.